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DIVISION OF
OIL, GAS & MINING

AGREEMENT

The Utah Division of Oil, Gas and Mining ("Division"), by and through its undersigned Assistant Attorney General, and Kerley Engineering, Inc. ("Kerley"), formerly Mine and Mill Engineering, Inc., by and through its undersigned attorney, hereby agree as follows:

1. The Silver Reef mine site which is the subject of this agreement is located in the Harrisburg Mining District, Washington County, Utah, and is more fully described as follows:

Township 41 South, Range 13 West, SLBM
Portions of Sections 6 and 7

Township 41 South, Range 14 West, SLBM
Sections 1, 11, 12, 13, and 14

2. On or about August 23, 1984, Kerley assigned to the Division certificate of deposit no. 8002401 held by Valley National Bank of Arizona in the amount of \$55,210.00 as surety to ensure the proper and timely reclamation of the Silver Reef mine site.

3. On or about August 28, 1984, Kerley submitted to the Division a Letter of Intention to Commence Exploratory Drilling for the Silver Reef mine.

4. After August 28, 1984, but prior to January, 1986, Kerley conducted certain exploratory operations at the Silver Reef site.

5. By letter dated September 18, 1986, the Division directed Kerley to reclaim the Silver Reef site within 60 days or the Division would request that the Board of Oil, Gas and Mining cause the surety to be forfeited for the purpose of completing reclamation of the Silver Reef site.

6. Kerley currently has no access to the Silver Reef site and does not intend to conduct reclamation of the mine site.

7. In order for the Division's contractor to complete the required reclamation of the Silver Reef site within the 1987 construction season, the Division must take possession of the surety proceeds within the time set in paragraph #8 below.

8. Kerley will, within 10 days from the date of this agreement, provide written notice to Valley National Bank of Arizona directing that, upon receipt by the bank of the certificate of deposit no. (), the bank will release the total amount of the certificate directly to the Division. Since time is of the essence, failure to so provide written notice and direction will obligate Kerley to the payment of liquidated damages in the amount of \$500.00 for each day in excess of the set 10 day period.

9. The Division will accept the above-stated surety proceeds as Kerley's total reclamation liability incurred by Kerley as a result of Kerley's exploration operations at the Silver Reef site. This in no way relieves Kerley of any reclamation responsibilities incurred as a result of disturbances created by Kerley subsequent to the date of this agreement nor

does this agreement purport to affect disturbances created by persons other than Kerley.

10. Upon receipt of the surety proceeds by the Division, the Division will execute a written release discharging Kerley from any further reclamation obligation arising under the Utah Mined Land Reclamation Act (§40-8-1 et seq., Utah Code Annotated (1953, as amended)).

Dated this _____ day of April, 1987.

I'll get this →

DEAN MASSEY

BARBARA W. ROBERTS
Assistant Attorney General
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Salt Lake City, Utah 84114